

CLAY COUNTY

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2012**

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CLAY COUNTY

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Delmar R. Brockshus	Board of Supervisors	January 2013
Joe Skow	Board of Supervisors	January 2013
Kenneth Chalstrom	Board of Supervisors	January 2015
Burlin Matthews	Board of Supervisors	January 2015
Linda Swanson	Board of Supervisors	January 2015
Marjorie A. Pitts	County Auditor	January 2013
Sandra Geidl	County Treasurer	January 2015
Shirley Goyette	County Recorder	January 2015
Randy Krukow	County Sheriff	January 2013
Michael Houchins	County Attorney	January 2015
John Lawson	County Assessor	January 2016

INDEPENDENT AUDITORS' REPORT

To the Officials of Clay County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clay County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Clay County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clay County at June 30, 2012 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2012 on our consideration of Clay County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 11 and 39 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial

statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wintner, Stave & Co., LLP

December 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clay County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 26.8%, or \$4,171,435, from fiscal 2011 to fiscal 2012. Property tax increased \$355,318; grants, contributions and restricted interest increased \$3,683,132; and net other revenues increased \$132,985.
- Program expenses increased \$62,705, or .5%, from fiscal 2011 to fiscal 2012. Expenses in the areas of mental health, administration, and interest on long-term debt increased a total of \$674,794, while expenses in public safety and legal services, physical health and social services, county environment and education, roads and transportation, and governmental services to residents decreased a total of \$612,089.

The County's net assets increased \$6,376,083 from June 30, 2011 to June 30, 2012.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Clay County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Clay County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Clay County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: (a) the General Fund, (b) the Special Revenue Funds, such as Mental Health, Rural Services, Local Option Sales Tax, and Secondary Roads, (c) the Debt Service Fund and (d) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2. Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for schools, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Clay County's combined net assets for FY2012 totaled \$32,740,613 compared to \$26,364,530 for FY2011. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities

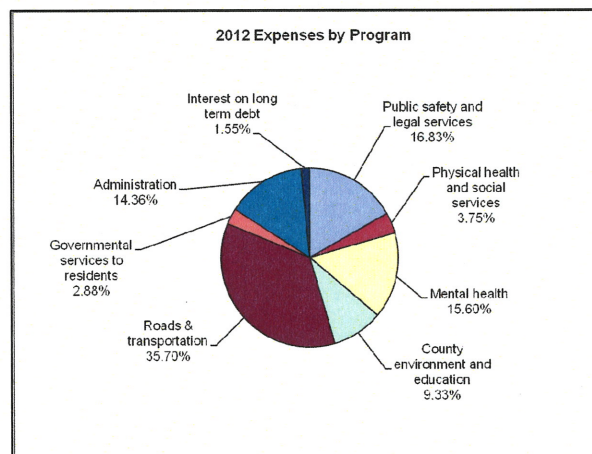
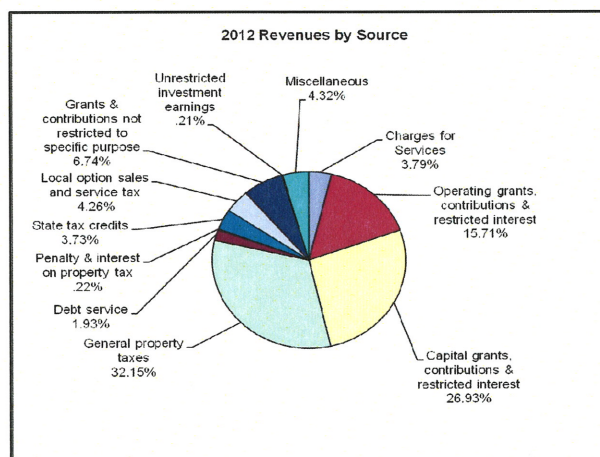
	June 30,	
	<u>2012</u>	<u>2011</u>
Current and other assets	\$19,488,934	\$15,044,529
Capital assets	<u>26,333,615</u>	<u>18,817,429</u>
Total assets	<u>45,822,549</u>	<u>33,861,958</u>
Long-term liabilities	5,887,000	412,000
Other liabilities	<u>7,194,936</u>	<u>7,085,428</u>
Total liabilities	<u>13,081,936</u>	<u>7,497,428</u>
Net assets:		
Invested in capital assets - net of related debt	20,643,615	18,567,429
Restricted	8,681,990	4,658,331
Unrestricted	<u>3,415,008</u>	<u>3,138,770</u>
Total net assets	<u>\$32,740,613</u>	<u>\$26,364,530</u>

Net assets of the County's governmental activities increased 24.2%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment) less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased from \$3,138,770 at June 30, 2011 to \$3,415,008 at the end of this year, an increase of 8.8%.

Changes in Net Assets of Clay County Governmental Activities

	Year ended June 30,	
	<u>2012</u>	<u>2011</u>
Program revenues:		
Charges for service	\$ 749,948	\$ 729,296
Operating grants, contributions, and restricted interest	3,104,514	2,912,759
Capital grants, contributions, and restricted interest	5,321,975	1,830,598
General revenues:		
Property tax:		
General purposes	6,353,642	6,013,462
Debt service	381,911	366,773
Penalty and interest on property tax	43,876	37,238
State tax credits	737,942	758,230
Local option sales tax	841,802	857,945
Grants and contributions not restricted to specific purpose ...	1,331,748	1,377,942
Unrestricted investment earnings	41,569	65,112
Miscellaneous	<u>853,493</u>	<u>641,630</u>
Total revenues	<u>19,762,420</u>	<u>15,590,985</u>
Program expenses:		
Public safety and legal service	2,252,473	2,383,026
Physical health and social services	502,403	562,897
Mental health	2,088,406	1,648,865
County environment and education	1,248,556	1,567,792
Roads and transportation	4,778,702	4,853,727
Governmental services to residents	386,081	412,862
Administration	1,922,745	1,806,177
Interest on long-term debt	<u>206,971</u>	<u>88,286</u>
Total expenses	<u>13,386,337</u>	<u>13,323,632</u>
Change in net assets	6,376,083	2,267,353
Net assets - beginning of year	<u>26,364,530</u>	<u>24,097,177</u>
Net assets - end of year	<u>\$32,740,613</u>	<u>\$26,364,530</u>

(For illustrative purposes)



Clay County's net assets of governmental activities increased by \$6,376,083 during the year. Revenues for governmental activities increased by \$4,171,435 over the prior year, including a property tax revenue increase from the prior year of \$355,318 or 5.6 percent.

The County property tax rates for fiscal year 2012 remained at \$3.87293 per thousand of valuation in the Rural Services fund, while countywide rates decreased by \$.02 per thousand. The increase in taxable valuation raised the County's property tax revenue approximately \$160,558 in fiscal year 2012. Based on January 1, 2011 assessed valuation, property tax revenue is budgeted to increase by approximately \$315,253 in fiscal year 2013.

The cost of all governmental activities this year was \$13,386,337 compared to \$13,323,632 last year. However, as shown in the Statement of Activities on page 13, the amount taxpayers ultimately financed for these activities was only \$4,209,900 because some of the cost was paid by those directly benefited from the programs (\$749,948) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8,426,489). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2012 from \$5,472,653 to \$9,176,437, principally due to road construction funding received through the Iowa Department of Transportation. The County paid for the remaining "public benefit" portion of governmental activities with \$10,585,983 in taxes (some of which could only be used for certain programs) and other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Clay County completed the year, its governmental funds reported a combined fund balance of \$11,763,387, an increase of \$4,160,859 from last year's total of \$7,602,528. The increase in fund balance is primarily attributable to \$5,490,000 general obligation bonds issued during the year. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased and expenditures decreased compared to the prior year. The ending fund balance showed an increase of \$363,991, ending at \$3,557,075.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$2,088,406, an increase of 26.7% from the prior year. The Mental Health Fund balance at year end decreased by \$193,683 from the prior year, ending at \$511,560.
- Rural Services Fund revenues and expenditures both increased compared to the prior year. The ending fund balance showed an increase of \$61,236, ending at \$363,074.
- Secondary Roads Fund revenues and expenditures increased from the prior year. Transfers in of \$1,845,425 offset a deficiency of revenues under expenditures of \$1,475,263, resulting in increasing the fund balance by \$370,162, ending at \$2,775,897.
- Capital Projects Fund revenues included over five million dollars in general obligation bond proceeds, with over two million in capital project expenditures, resulting in an ending fund balance of \$3,644,112.

BUDGETARY HIGHLIGHTS

Over the course of the year, Clay County amended its budget three (3) times. The amendments were made September 20, 2011, February 21, 2012, and June 12, 2012 and consisted of an increase in disbursements of \$3,417,576, primarily for capital projects, and an increase in other financing sources of \$4,886,549 related to general obligation bond proceeds. Recognized increases in receipts were primarily in the areas of intergovernmental and other receipts. The amendments resulted in a budgeted excess of receipts and other financing sources over disbursements of \$1,765,245.

The County's receipts were \$140,282 more than budgeted, a variance of 1%. Total disbursements were \$3,188,291 less than budgeted, a variance of 22%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, Clay County had \$26,333,615 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$7,516,186, or 40 percent, over last year.

Capital Assets of Governmental Activities at Year End

	June 30,	
	<u>2012</u>	<u>2011</u>
Land	\$ 599,917	\$ 474,917
Construction in progress	1,028,307	
Buildings and improvements	4,513,690	3,687,094
Equipment and vehicles	2,641,149	2,946,007
Infrastructure	<u>17,550,552</u>	<u>11,709,411</u>
Total	<u>\$26,333,615</u>	<u>\$18,817,429</u>

Major additions for the year included the following: \$6,105,349 related to infrastructure and roads; and \$958,140 for buildings and improvements.

The County had depreciation expense of \$865,077 in FY12 and a total accumulated depreciation of \$8,090,009 as of June 30, 2012.

Long-Term Debt

At June 30, 2012, Clay County had \$5,797,000 in general obligation bonds/notes and other debt outstanding compared to \$352,000 at June 30, 2011, as shown below.

Outstanding Debt of Governmental Activities at Year End		
	June 30,	
	<u>2012</u>	<u>2011</u>
General obligation notes	\$5,690,000	\$ 250,000
Compensated absences	<u>107,000</u>	<u>102,000</u>
Total	<u>\$5,797,000</u>	<u>\$ 352,000</u>

Debt increased \$5,445,000 due to the new issue of \$5,490,000 general obligation bonds.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Clay County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$40 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Clay County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. Unemployment in Clay County on June 30, 2012 stood at 5.2 percent versus 5.4 percent a year ago. This compares with the State's unemployment rate of 5.3 percent, which was next to the lowest in the nation, except for the States of Nebraska, North Dakota, and Oklahoma and compared to the national rate of 8.2 percent as of June 30, 2012.

Inflation in the State continues to be comparable to the national Consumer Price Index 2012 increase of 1.7%. Inflation has been modest here due in part to the stability of the residential housing market and energy prices.

These indicators were taken into account when preparing the budget for fiscal year 2013. Amounts available for appropriation in the 2013 operating budget are approximately \$13 million which reflects an increase of \$447,777 from 2012 revenues. Property valuation increases and state funding in several of our current programs is expected to cause the increase in revenues. Budgeted disbursements are expected to increase by approximately \$2 million as we approach the completion of the new jail facility.

If these estimates are realized, the County's budgetary cash operating balance is expected to increase over 2012 by approximately \$1.1 million by the close of 2013. The proposed ending budgeted cash balance of \$5,519,705 represents 34% of proposed expenditures.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Clay County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Clay County Auditor's Office, 300 W. 4th St., Spencer, Iowa. The County's financial statements can also be found on our website www.co.clay.ia.us.

Reporting Resources:

Consumer Price Index Summary

<http://www.bls.gov/news.release/cpi.nr0.htm>

<http://iwin.iwd.state.ia.us/iowa/OlmiZine?zineid=00000003>

http://www.bls.gov/data/inflation_calculator.htm

Local Area Unemployment Statistics

<http://www.iowaworkforce.org/lmi/laborforce/etables/area21.txt>

Iowa Workforce Information Network

<http://iwin.iwd.state.ia.us/iowa/OlmiZine?zineid=00000011>

<http://iwin.iwd.state.ia.us/pubs/etables/unemploymentrates.pdf>

Iowa Workforce Cost of Living

<http://iwin.iwd.state.ia.us/iowa/OlmiZine?zineid=00000003>

Iowa County Financial Overview

<http://www.iowacounties.org/Services/Research/FiscalInfo/CFO/CFOPage.htm>

Economy At A Glance

<http://www.bls.gov/eag/>

Clay County, Iowa Map of 12 month change in unemployment rates, June 2012

<http://data.bls.gov/map/servlet/map.servlet.MapToolServlet?state=19&datatype=unemployment&year=2009&period=M06&survey=ia&map=county&seasonal=u>

United States unemployment rates, June 2012

<http://ncsl.org/?tabid=13307>

http://data.bls.gov/map/servlet/map.servlet.MapToolServlet?datatype=12_month_net&year=2009&period=M06&survey=ia&map=state&seasonal=s

CLAY COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
ASSETS	
Cash and pooled investments	\$ 11,485,015
Receivables:	
Property tax:	
Delinquent	29,109
Succeeding year	6,491,000
Accounts and drainage assessments	234,567
Notes and contracts	388,930
Accrued interest	4,742
Due from other governments	114,218
Inventories	720,932
Prepaid expenses	20,421
Capital assets - net of accumulated depreciation	26,333,615
	<hr/>
TOTAL ASSETS	45,822,549
LIABILITIES	
Accounts payable	667,176
Salaries and benefits payable	36,760
Deferred revenue:	
Succeeding year property tax	6,491,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	88,053
Compensated absences	107,000
Portion due or payable after one year:	
General obligation notes	5,601,947
Net OPEB liability	90,000
	<hr/>
TOTAL LIABILITIES	13,081,936
NET ASSETS	
Invested in capital assets - net of related debt	20,643,615
Restricted for:	
Supplemental levy purposes	451,334
Mental health purposes	511,850
Secondary roads purposes	2,659,897
Debt service	527,087
Capital projects	3,644,112
Other purposes	887,710
Unrestricted	3,415,008
	<hr/>
TOTAL NET ASSETS	\$ 32,740,613

See Notes to Financial Statements

CLAY COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
	<u>Expenses</u>				
FUNCTIONS/PROGRAMS:					
Government activities:					
Public safety and legal services	\$ 2,252,473	\$ -	\$ -	\$ -	\$ (2,252,473)
Physical health and social services ...	502,403	-	-	-	(502,403)
Mental health	2,088,406	-	-	-	(2,088,406)
County environment and education ...	1,248,556	109,906	38,700	-	(1,099,950)
Roads and transportation	4,778,702	22,515	3,065,814	5,321,975	3,631,602
Governmental services to residents ...	386,081	3,888	-	-	(382,193)
Administration	1,922,745	613,639	-	-	(1,309,106)
Interest on long-term debt	206,971	-	-	-	(206,971)
 TOTAL	 <u>\$ 13,386,337</u>	 <u>\$ 749,948</u>	 <u>\$ 3,104,514</u>	 <u>\$ 5,321,975</u>	 <u>(4,209,900)</u>
GENERAL REVENUES:					
Property and other county tax levied for:					
General purposes					6,353,642
Debt service					381,911
Penalty and interest on property tax					43,876
State tax credits					737,942
Local option sales tax					841,802
Grants and contributions not restricted to specific purposes					1,331,748
Unrestricted investment earnings					41,569
Miscellaneous					853,493
 TOTAL GENERAL REVENUES					 <u>10,585,983</u>
 CHANGE IN NET ASSETS					 6,376,083
 NET ASSETS - BEGINNING OF YEAR					 <u>26,364,530</u>
 NET ASSETS - END OF YEAR					 <u>\$ 32,740,613</u>

See Notes to Financial Statements

CLAY COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

ASSETS

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Cash and pooled investments	\$ 3,471,059	\$ 686,119	\$ 365,829	\$ 2,116,085
Receivables:				
Property tax:				
Delinquent	27,732	302	771	-
Succeeding year	4,143,000	375,000	1,600,000	-
Accounts and drainage assessments	61,604	34,736		5,887
Notes and contracts	-	-	-	-
Accrued interest	2,627	-	-	-
Due from other governments	78,690	-	-	35,528
Inventories	-	-	-	720,932
Prepaid expenses	8,168	-	-	12,253
TOTAL ASSETS	\$ 7,792,880	\$ 1,096,157	\$ 1,966,600	\$ 2,890,685

LIABILITIES AND FUND BALANCES

LIABILITIES:				
Accounts payable	\$ 65,390	\$ 209,307	\$ 2,788	\$ 78,988
Salaries and benefits payable	960	-	-	35,800
Deferred revenue:				
Succeeding year property tax	4,143,000	375,000	1,600,000	-
Other	26,455	290	738	-
TOTAL LIABILITIES	4,235,805	584,597	1,603,526	114,788

FUND BALANCES:

Nonspendable:				
Inventories	-	-	-	720,932
Prepaid insurance	8,168	-	-	12,253
Restricted for:				
Supplemental levy	451,334	-	-	-
Mental health	-	511,560	-	-
Rural services	-	-	363,074	-
Secondary Roads	-	-	-	2,042,712
Debt service	-	-	-	-
Capital projects	-	-	-	-
Resource enhancement and protection ...	-	-	-	-
Drainage warrants	-	-	-	-
Economic development	-	-	-	-
Other purposes	-	-	-	-
Committed for economic development.....	150,000	-	-	-
Assigned to:				
Government services center	84,888	-	-	-
Rural services	1,029,321	-	-	-
Tourism	3,838	-	-	-
Unassigned	1,829,526	-	-	-
TOTAL FUND BALANCES	3,557,075	511,560	363,074	2,775,897
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,792,880	\$ 1,096,157	\$ 1,966,600	\$ 2,890,685

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 3,941,636	\$ 904,287	\$ 11,485,015
-	304	29,109
-	373,000	6,491,000
11,092	121,248	234,567
-	388,930	388,930
-	2,115	4,742
-	-	114,218
-	-	720,932
-	-	20,421
<u>\$ 3,952,728</u>	<u>\$ 1,789,884</u>	<u>\$ 19,488,934</u>

\$ 308,616	\$ 2,087	\$ 667,176
-	-	36,760
-	373,000	6,491,000
-	503,128	530,611
<u>308,616</u>	<u>878,215</u>	<u>7,725,547</u>

-	-	720,932
-	-	20,421
-	-	451,334
-	-	511,560
-	-	363,074
-	-	2,042,712
-	527,087	527,087
3,644,112	-	3,644,112
-	74,113	74,113
-	52,868	52,868
-	6,373	6,373
-	251,228	251,228
-	-	150,000
-	-	84,888
-	-	1,029,321
-	-	3,838
-	-	1,829,526
<u>3,644,112</u>	<u>911,669</u>	<u>11,763,387</u>
<u>\$ 3,952,728</u>	<u>\$ 1,789,884</u>	<u>\$ 19,488,934</u>

CLAY COUNTY
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total governmental fund balances (page 15)	\$11,763,387
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$34,423,624 and the accumulated depreciation is \$8,090,009.	26,333,615
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	530,611
Long-term liabilities, including notes payable, compensated absences payable, and OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(5,887,000)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 12)	<u>\$32,740,613</u>

CLAY COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

		Special Revenue		
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
REVENUES:				
Property and other County tax	\$ 4,242,025	\$ 383,546	\$ 1,653,402	\$ -
Local option sales tax	757,622	-	-	-
Interest and penalty on property tax	43,876	-	-	-
Intergovernmental	274,218	1,217,721	148,558	3,470,067
Licenses and permits	17,778	-	1,725	8,585
Charges for service	481,118	-	-	46
Use of money and property	140,811	-	-	22,469
Fines, forfeitures and defaults	73,249	-	-	-
Miscellaneous	16,524	293,456	5,336	245,374
TOTAL REVENUES	<u>6,047,221</u>	<u>1,894,723</u>	<u>1,809,021</u>	<u>3,746,541</u>
EXPENDITURES:				
Operating:				
Public safety and legal services	1,711,484	-	478,793	-
Physical health and social services	502,403	-	-	-
Mental health	-	2,088,406	-	-
County environment and education	667,645	-	262,178	-
Roads and transportation	-	-	-	4,400,579
Governmental services to residents	384,608	-	-	-
Administration	1,540,014	-	10,000	-
Debt service	-	-	-	-
Capital projects	-	-	-	821,225
TOTAL EXPENDITURES	<u>4,806,154</u>	<u>2,088,406</u>	<u>750,971</u>	<u>5,221,804</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,241,067</u>	<u>(193,683)</u>	<u>1,058,050</u>	<u>(1,475,263)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	(877,076)	-	(996,814)	1,845,425
General obligation bonds issued	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(877,076)</u>	<u>-</u>	<u>(996,814)</u>	<u>1,845,425</u>
NET CHANGES IN FUND BALANCES	363,991	(193,683)	61,236	370,162
FUND BALANCES - BEGINNING OF YEAR	<u>3,193,084</u>	<u>705,243</u>	<u>301,838</u>	<u>2,405,735</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,557,075</u>	<u>\$ 511,560</u>	<u>\$ 363,074</u>	<u>\$ 2,775,897</u>

See Notes to Financial Statements

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ 381,911	\$ 6,660,884
-	84,180	841,802
-	-	43,876
29,700	33,940	5,174,204
-	-	28,088
71,494	3,888	556,546
34,950	80,747	278,977
-	-	73,249
1,592	189,874	752,156
<u>137,736</u>	<u>774,540</u>	<u>14,409,782</u>
-	12,468	2,202,745
-	-	502,403
-	-	2,088,406
-	365,463	1,295,286
-	-	4,400,579
-	503	385,111
111,852	3,299	1,665,165
43,451	321,971	365,422
1,992,990	19,591	2,833,806
<u>2,148,293</u>	<u>723,295</u>	<u>15,738,923</u>
<u>(2,010,557)</u>	<u>51,245</u>	<u>(1,329,141)</u>
34,577	(6,112)	-
<u>5,490,000</u>	<u>-</u>	<u>5,490,000</u>
<u>5,524,577</u>	<u>(6,112)</u>	<u>5,490,000</u>
3,514,020	45,133	4,160,859
<u>130,092</u>	<u>866,536</u>	<u>7,602,528</u>
<u>\$ 3,644,112</u>	<u>\$ 911,669</u>	<u>\$ 11,763,387</u>

See Notes to Financial Statements

CLAY COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds (page 18) \$ 4,160,859

*Amounts reported for governmental activities in the Statement of Activities
are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$3,059,288	
Capital assets contributed by the Iowa Department of Transportation	5,321,975	
Depreciation expense	<u>(865,077)</u>	7,516,186

Because some revenues will not be collected for several months after the County's year-end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	74,669	
Notes and contracts	<u>99,369</u>	174,038

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(5,490,000)	
Repaid	<u>50,000</u>	(5,440,000)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences (increase)	(5,000)	
Other postemployment benefits	<u>(30,000)</u>	<u>(35,000)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 13) \$ 6,376,083

CLAY COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2012

ASSETS

Cash and pooled investments:	
County Treasurer	\$ 991,405
Other County offices	68,097
Property tax receivable:	
Delinquent	16,798
Succeeding year	20,153,000
Accounts receivable.....	336
Due from other governments	22,829
Accrued interest	<u>10</u>
 TOTAL ASSETS	 <u>21,252,475</u>

LIABILITIES

Accounts payable	63,844
Due to other governments	21,131,096
Trusts payable	<u>57,535</u>
 TOTAL LIABILITIES	 <u>21,252,475</u>
 NET ASSETS	 <u><u>\$ -</u></u>

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Clay County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Clay County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Clay County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units

The following component units are entities which are legally separate from the County but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Ninety-eight drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Clay County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Clay County Auditor's office.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Jointly Governed Organizations

The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoints representatives to the following boards and commissions: Clay County Assessor's Conference Board, Clay County Emergency Management Commission, Clay County Conservation Board, and Clay County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and Special Revenue, Rural Services Fund, and other revenues to be used for secondary road construction and maintenance.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus and Basis of Accounting - Continued

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications, committed, assigned, and then unassigned fund balances.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments

The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Non-negotiable certificates of deposits are stated at cost.

Property Tax Receivable

Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities and Fund Equity - Continued

Property Tax Receivable - Continued

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments, is based on January 1, 2010 assessed property valuations, is for the tax accrual period July 1, 2011 through June 30, 2012, and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

Drainage Assessments Receivable

Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than three nor more than five annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes.

Due from Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories

Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Notes and Contracts Receivable - Long-term receivables of governmental funds are reported on their respective balance sheets. To the extent these receivables are considered "available spendable resources," they are recognized in the current period. Recognition of governmental fund revenue represented by noncurrent receivables is deferred until they become current receivables.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities and Fund Equity - Continued

Capital Assets

Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 2002 (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, buildings, and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	10 - 65
Equipment	2 - 20
Vehicles	3 - 10

Due to Other Governments

Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable

Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities and Fund Equity - Continued

Compensated Absences

County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Secondary Roads Funds.

County employees accumulate a limited amount of earned but unused sick leave. The employee does not receive any pay for unused sick leave upon termination of employment with the County. Since the amount of sick leave to be used is undeterminable, no liability has been accrued.

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets. Material bond issue costs are reported as deferred charges and amortized over the term of the related debt. In the government fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Board of Supervisors intends to use for specific purposes.

Unassigned - All amounts not included in other classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the non-program function.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The County has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

2. CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2012 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest Rate Risk - The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Concentration of Credit Risk - The County places a five percent limit on the amount that may be invested in any one issuer. The County places a ten percent limit on the amount that may be invested in prime bankers' acceptances and commercial paper or other short-term corporate debt.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

3. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Amount</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:			
Secondary Roads	\$1,845,425	General	\$ 848,611
		Special Revenue:	
		Rural Services	<u>996,814</u>
Total Transfers to			<u>1,845,425</u>
Secondary Roads		Net transfers from:	
		General	28,465
		Non-major:	
Net transfers to		Debt service	<u>6,112</u>
Capital Projects	<u>34,577</u>		<u>34,577</u>
Total Transfers	<u>\$1,880,002</u>		<u>\$1,880,002</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. NOTES AND CONTRACTS RECEIVABLE

Clay County has established a Revolving Loan Fund through cumulative transfers of \$600,000 from local option sales tax revenues. Through June 30, 2012, the County made \$591,375 in advances to thirteen local businesses, with a promissory note and applicable contractual loan agreements and documentation completed for each advance. With payments including interest at 4.75%, the promissory notes were originally payable in 60 to 180 monthly installments and mature in May 2013 through August 2026. The County is attempting to collect the remaining \$67,122 balance on one loan with an original advance of \$100,000. Since collection of the remaining balance is uncertain, it is no longer included in the total notes receivable balance. Therefore, after adjusting for this loan, the outstanding balances on the twelve remaining loans totaled \$388,930 at June 30, 2012.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 474,917	\$ 125,000	\$ -	\$ 599,917
Construction in progress	<u>-</u>	<u>8,091,796</u>	<u>7,063,489</u>	<u>1,028,307</u>
Total capital assets not being depreciated	<u>474,917</u>	<u>8,216,796</u>	<u>7,063,489</u>	<u>1,628,224</u>
Capital assets being depreciated:				
Buildings and improvements	5,555,102	958,140	-	6,513,242
Equipment and vehicles	7,371,758	164,467	61,025	7,475,200
Infrastructure, road network	<u>12,701,609</u>	<u>6,105,349</u>	<u>-</u>	<u>18,806,958</u>
Total capital assets being depreciated	<u>25,628,469</u>	<u>7,227,956</u>	<u>61,025</u>	<u>32,795,400</u>
Less accumulated depreciation for:				
Buildings and improvements	1,868,008	131,544	-	1,999,552
Equipment and vehicles	4,425,751	469,325	61,025	4,834,051
Infrastructure, road network	<u>992,198</u>	<u>264,208</u>	<u>-</u>	<u>1,256,406</u>
Total accumulated depreciation	<u>7,285,957</u>	<u>865,077</u>	<u>61,025</u>	<u>8,090,009</u>
Total capital assets being depreciated - net	<u>18,342,512</u>	<u>6,362,879</u>	<u>-</u>	<u>24,705,391</u>
Governmental activities capital assets - net	<u>\$18,817,429</u>	<u>\$14,579,675</u>	<u>\$7,063,489</u>	<u>\$26,333,615</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 68,979
County environment and education	31,645
Roads and transportation	576,252
Governmental services to residents	970
Administration	<u>187,231</u>
Total depreciation expense - governmental activities	<u>\$865,077</u>

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

6. DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agency for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Trust and agency:		
Corporations	Collections	\$ 5,955,095
Schools	Collections	13,003,980
Area schools	Collections	709,486
County assessor	Collections	360,619
Agricultural extension education	Collections	209,094
Auto license and use tax	Collections	404,262
All others	Collections	<u>488,560</u>
TOTAL FOR TRUST AND AGENCY FUNDS		<u>\$21,131,096</u>

7. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	<u>General Obligation Bonds/Notes</u>	<u>Compensated Absences</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance beginning of year	\$ 250,000	\$102,000	\$ 60,000	\$ 412,000
Increases	5,490,000	5,000	30,000	5,525,000
Decreases	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
Balance end of year	<u>\$5,690,000</u>	<u>\$107,000</u>	<u>\$ 90,000</u>	<u>\$5,887,000</u>
Due within one year	<u>\$ 88,053</u>	<u>\$107,000</u>	<u>-</u>	<u>\$ 195,053</u>

Bonds/Notes Payable

A summary of the County's June 30, 2012 general obligation bonds/notes payable is as follows:

<u>Year Ending June 30,</u>	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	1.74% - 3.55%	\$ 88,053	\$ 182,008	\$ 270,061
2014	1.74% - 3.60%	87,952	179,570	267,522
2015	1.74% - 3.70%	88,612	177,110	265,722
2016	1.74% - 3.75%	89,284	174,588	263,872
2017	1.74% - 2.95%	319,968	172,030	491,998
2018 - 2022	1.74% - 2.95%	1,686,131	739,593	2,425,724
2023 - 2027	3.10% - 3.60%	1,720,000	497,693	2,217,693
2028 - 2031	3.75% - 4.05%	<u>1,610,000</u>	<u>162,715</u>	<u>1,772,715</u>
Total		<u>\$5,690,000</u>	<u>\$2,285,307</u>	<u>\$7,975,307</u>

During the year ended June 30, 2012, the County issued \$5,490,000 in new general obligation bonds and retired \$50,000 of notes.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

7. LONG-TERM LIABILITIES - Continued

Clay County Regional Events Center Conduit Debt Obligations

During the year ended June 30, 2005, the County issued a total of \$2,000,000 in Local Option Sales and Services Tax (LOSST) Revenue Bonds for the purpose of constructing and furnishing the Clay County Regional Events Center at the Clay County Fairgrounds. Of the total advanced, \$1,415,000 was used to pay off a similar bond which had been issued in fiscal 2004. The bonds are not a general obligation of the County but are payable from and secured solely and only by a pledge of certain local option tax revenues received by Clay County and the City of Spencer. The bonds will be repaid in annual installments ranging from \$65,000 to \$120,000, including interest at rates ranging from 3.17% to 4.39%, through June 1, 2029. Bonds totaling \$1,530,000 remained outstanding at June 30, 2012.

The bonds issued do not constitute general obligation debt or bonded indebtedness of the County. Neither is the full faith and credit or taxing power of the County pledged to make repayment; and therefore, they have been excluded entirely from the County's debt presentation. However, the County is responsible to receive the applicable local option tax revenues and to apply funds on hand to the required bond payments, as shown in the LOSST Bond special revenue fund. There has not been and is not any condition of default under the bonds or the related financing documents.

St. Luke Homes and Services, Inc. Conduit Debt Obligation

During September 2004, the County issued \$3,000,000 Health Care Facility Revenue Bonds, Series 2004 (St. Luke Homes and Services, Inc. Project) for the purpose of lending the proceeds to St. Luke Homes and Services, Inc. for facility improvement projects. The bonds are not a general obligation of the County but are payable solely from the revenues and other amounts derived from the facility.

The bonds issued do not constitute general obligation debt or bonded indebtedness of the County. Neither is the full faith and credit or taxing power of the County pledged to make repayment; and therefore, they have been excluded entirely from the County's debt presentation. There has not been and is not any condition of default under the bonds or the related financing documents.

Northwest Aging Association Foundation, Inc. Conduit Debt Obligation

During April 2007, the County issued a \$300,000 Community Provider Revenue Note, Series 2007 (Northwest Aging Association Foundation, Inc. Project) for the purpose of lending the proceeds to Northwest Aging Association Foundation, Inc. for a facility improvement project. The bonds are not a general obligation of the County but are payable solely from the revenues and other amounts derived from the facility.

The bonds issued do not constitute general obligation debt or bonded indebtedness of the County. Neither is the full faith and credit or taxing power of the County pledged to make repayment; and therefore, they have been excluded entirely from the County's debt presentation. There has not been and is not any condition of default under the bonds or the related financing documents.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

7. CHANGES IN LONG-TERM LIABILITIES - Continued

Drainage Warrants Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available and have been deducted from cash balances. Drainage warrants are paid from the Special Revenue, Drainage District Fund solely from special assessments against benefited properties.

8. LEASES

The County has entered into leases of office space to other governmental entities through June 30, 2017 totaling \$89,184 annually. The County has also entered into annual leases of farm ground to various individuals, with lease expirations ranging from February 2013 to February 2015 and total annual revenue of \$24,114. The County leases storage, through August 2015, and office space, through June 2016, for \$1,500 and \$1,375 monthly, respectively, for a total annual cost of \$34,500.

9. PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$332,290, \$293,817, and \$262,251, respectively, equal to the required contributions for each year.

The County also sponsors a Section 457 deferred compensation plan for the benefit of County employees. Employees may voluntarily participate in the plan. Contributions are made solely through employee salary deferrals with no County contributions to the plan.

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The County sponsors a single-employer health care plan which provides medical/prescription drug benefits for all active and retired employees and their eligible dependents. There are 83 active and 6 retired members in the plan. Eligible retirees receive health care coverage through the same plans that are available for active employees. Participants must be age 55 or older at retirement. Benefits terminate upon attaining Medicare eligibility.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

Contributions are required for both retiree and dependent coverage. The retiree contributions are based on and equal to the historical full cost of active members. Retiree expenses are then offset by monthly contributions.

The medical/prescription drug coverage is provided through a partially self-funded plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the approximate components of the County's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 52,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	52,000
Contributions made	(22,000)
Increase in net OPEB obligation	30,000
Net OPEB obligation - beginning of year	60,000
Net OPEB obligation - end of year	<u>\$ 90,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, plan members eligible for benefits contributed approximately \$22,000 or 100% of the premium costs.

The County's approximate annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and net OPEB obligation are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$52,000	42.3%	\$30,000
June 30, 2011	52,000	42.3%	30,000
June 30, 2012	52,000	42.3%	30,000

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was approximately \$417,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$417,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,952,000 and the ratio of the UAAL to covered payroll was 10.55%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate ranges from 5 - 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the Scale T-4 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are approximately \$645 per month per participant. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expenses on an open basis over 30 years.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

11. RISK MANAGEMENT

The County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's members contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2012 were \$145,891.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

11. RISK MANAGEMENT - Continued

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries insurance from the Iowa Municipalities Workers' Compensation Association for coverage associated with workers' compensation and employee blanket bond in the amount of \$1,000,000 and \$20,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Health Care Plan

The County has established a Health Care Plan to provide partial self funding of the County's health insurance benefit plan. The plan is funded by County and employee contributions and is administered through a service agreement with Employee Benefit Systems (EBS). The agreement with EBS is renewable on an annual basis. The County assumes liability for certain claims up to the individual deduction limitations for single and family coverage depending on which of four optional plans is selected by each respective employee.

Contributions to the Health Care Plan are recorded as expenditures from the operating funds. The County's contribution to the self-funded portion of the Health Care Plan for the year ended June 30, 2012 was \$62,487.

No amounts payable to the Health Care Plan have been recorded at June 30, 2012 for incurred but not reported (IBNR) and reported but not paid claims since the amounts are not considered material to the financial statements. Incurred claims (including claims incurred but not reported at June 30, 2012) were considered to approximately equal the payments on claims during the fiscal year of approximately \$71,700.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

12. COMMITMENTS

The County has entered into construction contracts totaling approximately \$5,067,000 for roadway paving and bridge replacement. As of June 30, 2012, costs of approximately \$4,751,000 on the projects have been incurred. The balance of approximately \$316,000 remaining on the contracts at June 30, 2012 will be paid as work on the projects progresses with the contracts expected to be paid from the State of Iowa Farm to Market Fund.

The County also entered into contracts totaling approximately \$5,716,000 for a new County Jail. As of June 30, 2012, costs of approximately \$861,000 on the project have been incurred. The balance of approximately \$4,855,000 remaining on the contract at June 30, 2012 will be paid as work on the project progresses from the remaining balance of the General Obligation County Purpose Bonds, Series 2011A, and the proceeds from the subsequent issue of bonds in fiscal 2013.

The County has also contracted with the City of Spencer for sanitary landfill services. The current contract expired June 30, 2012, with a cost to the County for fiscal 2012 of \$75,792.

Annual costs under a new sanitary landfill services contract which expires June 30, 2017 are as follows:

2013	\$ 78,444
2014	81,192
2015	84,036
2016	86,976
2017	<u>90,024</u>
	<u>\$420,672</u>

The County resolved to fund a maximum of \$100,000 through September 1, 2014 from local option sales tax revenues to participate in the Spencer Housing Initiative Program. No amounts were paid to fund this program as of June 30, 2012.

13. LITIGATION

The County is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. County officials believe the outcome of these matters will not have a material adverse effect on the County's financial statements.

14. SUBSEQUENT EVENTS

During July and August 2012, the County approved funding two loans totaling approximately \$124,000 from the Revolving Loan Fund at a rate of 4.75% for terms of seven to ten years.

During October 2012, the County authorized the issuance of \$1,065,000 General Obligation County Purpose Bonds, Series 2012A.

REQUIRED SUPPLEMENTARY INFORMATION

CLAY COUNTY
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012

	<u>Actual</u>	Less Funds not Required to be <u>Budgeted</u>	<u>Net</u>
RECEIPTS:			
Property and other County tax	\$ 7,502,686	\$ -	\$ 7,502,686
Interest and penalty on property tax	43,876	-	43,876
Intergovernmental	5,173,188	9,000	5,164,188
Licenses and permits	26,363	-	26,363
Charges for service	558,271	-	558,271
Use of money and property	274,716	378	274,338
Other.....	644,635	184,721	459,914
TOTAL REVENUES	<u>14,223,735</u>	<u>194,099</u>	<u>14,029,636</u>
DISBURSEMENTS:			
Public safety and legal services	2,203,787	-	2,203,787
Physical health and social services	516,410	-	516,410
Mental health	2,057,487	-	2,057,487
County environment and education	1,356,434	134,907	1,221,527
Roads and transportation	4,333,457	-	4,333,457
Governmental services to residents	385,070	-	385,070
Administration	1,549,803	-	1,549,803
Non-program	7,985	-	7,985
Debt service	192,766	129,203	63,563
Capital projects	2,043,278	-	2,043,278
TOTAL DISBURSEMENTS	<u>14,646,477</u>	<u>264,110</u>	<u>14,382,367</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(422,742)	(70,011)	(352,731)
OTHER FINANCING SOURCES - NET	<u>5,490,000</u>	<u>-</u>	<u>5,490,000</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	5,067,258	(70,011)	5,137,269
BALANCE - BEGINNING OF YEAR	<u>7,254,606</u>	<u>240,030</u>	<u>7,014,576</u>
BALANCE - END OF YEAR	<u>\$12,321,864</u>	<u>\$ 170,019</u>	<u>\$12,151,845</u>

Budgeted Amounts		Final to
<u>Original</u>	<u>Final</u>	Net <u>Variance</u>
\$ 7,507,286	\$ 7,507,286	\$ (4,600)
9,700	14,813	29,063
3,998,669	5,002,165	162,023
23,991	26,150	213
422,749	450,883	107,388
291,202	300,966	(26,628)
320,331	587,091	(127,177)
<u>12,573,928</u>	<u>13,889,354</u>	<u>140,282</u>
2,381,469	2,410,640	206,853
572,940	658,650	142,240
1,893,511	2,074,511	17,024
1,275,219	1,584,239	362,712
4,582,266	4,582,266	248,809
430,700	534,290	149,220
1,606,052	1,778,461	228,658
-	2,709	(5,276)
59,925	193,892	130,329
<u>1,351,000</u>	<u>3,751,000</u>	<u>1,707,722</u>
<u>14,153,082</u>	<u>17,570,658</u>	<u>3,188,291</u>
(1,579,154)	(3,681,304)	3,328,573
<u>560,000</u>	<u>5,446,549</u>	<u>43,451</u>
(1,019,154)	1,765,245	<u>\$ 3,372,024</u>
<u>5,378,946</u>	<u>5,378,946</u>	
<u>\$ 4,359,792</u>	<u>\$ 7,144,191</u>	

See Accompanying Independent Auditors' Report

CLAY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012

	Governmental Funds		
	Cash <u>Basis</u>	Accrual <u>Adjustments</u>	Modified Accrued <u>Basis</u>
Revenues and other financing sources.....	\$ 14,223,735	\$ 186,047	\$ 14,409,782
Expenditures	14,646,477	(1,092,446)	15,738,923
Net	(422,742)	(906,399)	(1,329,141)
Other Financing sources, net	5,490,000		5,490,000
Beginning fund balances	<u>7,254,606</u>	<u>347,922</u>	<u>7,602,528</u>
ENDING FUND BALANCES	<u>\$ 12,321,864</u>	<u>\$ (558,477)</u>	<u>\$ 11,763,387</u>

CLAY COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
JUNE 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education services, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$3,759,336. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the non-program function.

CLAY COUNTY
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2010	July 1, 2009	-	\$ 417	\$ 417	0.00%	\$3,436	12.14%
2011	July 1, 2009	-	\$ 417	\$ 417	0.00%	\$3,932	10.60%
2012	July 1, 2009	-	\$ 417	\$ 417	0.00%	\$3,952	10.55%

See Note 9 in the accompanying Notes to Financial Statements for plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status, and funding progress.

SUPPLEMENTARY INFORMATION

CLAY COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

ASSETS

	<u>Debt Service</u>	<u>County Sheriff</u>	<u>LOSST Bond</u>
Cash and pooled investments	\$ 409,546	\$ 35,184	\$ 116,404
Receivables:			
Property tax:			
Delinquent	304	-	-
Succeeding year	373,000	-	-
Accounts	-	-	-
Notes and contracts	-	-	-
Accrued interest	1,100	1	25
TOTAL ASSETS	<u><u>\$ 783,950</u></u>	<u><u>\$ 35,185</u></u>	<u><u>\$ 116,429</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES:			
Accounts payable	\$ -	\$ 1,547	\$ -
Deferred revenue:			
Succeeding year property tax	373,000	-	-
Other	292	-	-
TOTAL LIABILITIES	<u><u>373,292</u></u>	<u><u>1,547</u></u>	<u><u>-</u></u>
FUND BALANCES:			
Restricted for:			
Debt service	410,658	-	116,429
Resource enhancement and protection ...	-	-	-
Drainage warrants	-	-	-
Economic development	-	-	-
Other purposes	-	33,638	-
TOTAL FUND BALANCES	<u><u>410,658</u></u>	<u><u>33,638</u></u>	<u><u>116,429</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 783,950</u></u>	<u><u>\$ 35,185</u></u>	<u><u>\$ 116,429</u></u>

See Accompanying Independent Auditor's Report

<u>Special Revenue</u>					
<u>Resource Enhancement and Protection</u>	<u>County Recorder's Records Management</u>	<u>Drainage Districts</u>	<u>Revolving Loan</u>	<u>LOSST Fair</u>	<u>Total</u>
\$ 74,645	\$ 16,862	\$ 52,858	\$ 198,788	\$ -	\$ 904,287
-	-	-	-	-	304
-	-	-	-	-	373,000
-	969	113,906	-	6,373	121,248
-	-	-	388,930	-	388,930
8	1	10	970	-	2,115
<u>\$ 74,653</u>	<u>\$ 17,832</u>	<u>\$ 166,774</u>	<u>\$ 588,688</u>	<u>\$ 6,373</u>	<u>\$ 1,789,884</u>
\$ 540	\$ -	\$ -	\$ -	\$ -	\$ 2,087
-	-	-	-	-	373,000
-	-	113,906	388,930	-	503,128
540	-	113,906	388,930	-	878,215
-	-	-	-	-	527,087
74,113	-	-	-	-	74,113
-	-	52,868	-	-	52,868
-	-	-	-	6,373	6,373
-	17,832	-	199,758	-	251,228
74,113	17,832	52,868	199,758	6,373	911,669
<u>\$ 74,653</u>	<u>\$ 17,832</u>	<u>\$ 166,774</u>	<u>\$ 588,688</u>	<u>\$ 6,373</u>	<u>\$ 1,789,884</u>

See Accompanying Independent Auditor's Report

CLAY COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Debt Service</u>	<u>County Sheriff</u>	<u>LOSST Bond</u>
REVENUES:			
Property and other County tax	\$ 381,911	\$ -	\$ -
Local option sales tax	-	-	-
Intergovernmental	13,158	-	-
Charges for service	-	-	-
Use of money and property	15,592	41	341
Miscellaneous	-	9,104	180,770
TOTAL REVENUES	<u>410,661</u>	<u>9,145</u>	<u>181,111</u>
EXPENDITURES:			
Operating:			
Public safety and legal services	-	12,468	-
County environment and education	-	-	37,591
Governmental services to residents	-	-	-
Administration	-	3,299	-
Debt service	192,768	-	129,203
Capital projects	19,591	-	-
TOTAL EXPENDITURES	<u>212,359</u>	<u>15,767</u>	<u>166,794</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>198,302</u>	<u>(6,622)</u>	<u>14,317</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	4,194	-	-
Operating transfers out	(10,306)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,112)</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	192,190	(6,622)	14,317
FUND BALANCES - BEGINNING OF YEAR	<u>218,468</u>	<u>40,260</u>	<u>102,112</u>
FUND BALANCES - END OF YEAR	<u>\$ 410,658</u>	<u>\$ 33,638</u>	<u>\$ 116,429</u>

See Accompanying Independent Auditors' Report

Special Revenue					
Resource Enhancement and Protection	County Recorder's Records Management	Drainage Districts	Revolving Loan	LOSST Fair	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 381,911
-	-	-	-	84,180	84,180
11,782	-	9,000	-	-	33,940
-	3,888	-	-	-	3,888
154	19	3,920	60,680	-	80,747
-	-	-	-	-	189,874
<u>11,936</u>	<u>3,907</u>	<u>12,920</u>	<u>60,680</u>	<u>84,180</u>	<u>774,540</u>
-	-	-	-	-	12,468
3,267	-	97,316	143,376	83,913	365,463
-	503	-	-	-	503
-	-	-	-	-	3,299
-	-	-	-	-	321,971
-	-	-	-	-	19,591
<u>3,267</u>	<u>503</u>	<u>97,316</u>	<u>143,376</u>	<u>83,913</u>	<u>723,295</u>
<u>8,669</u>	<u>3,404</u>	<u>(84,396)</u>	<u>(82,696)</u>	<u>267</u>	<u>51,245</u>
-	-	-	-	-	4,194
-	-	-	-	-	(10,306)
-	-	-	-	-	(6,112)
8,669	3,404	(84,396)	(82,696)	267	45,133
65,444	14,428	137,264	282,454	6,106	866,536
<u>\$ 74,113</u>	<u>\$ 17,832</u>	<u>\$ 52,868</u>	<u>\$ 199,758</u>	<u>\$ 6,373</u>	<u>\$ 911,669</u>

See Accompanying Independent Auditors' Report

CLAY COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2012

ASSETS	County Offices			Emergency
	County Recorder	County Sheriff	County Conservation	Medical Services
CASH AND POOLED INVESTMENTS:				
County Treasurer	\$ -	\$ -	\$ -	\$ 19,491
Other County officials	42,487	12,143	13,467	-
RECEIVABLES:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts.....	298	-	-	-
Due from other governments	-	-	-	113
Accrued interest	-	-	-	1
TOTAL ASSETS	<u>\$ 42,785</u>	<u>\$ 12,143</u>	<u>\$ 13,467</u>	<u>\$ 19,605</u>
LIABILITIES				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,145
Due to other governments	10,860	-	-	18,460
Trusts payable	31,925	12,143	13,467	-
TOTAL LIABILITIES	<u>\$ 42,785</u>	<u>\$ 12,143</u>	<u>\$ 13,467</u>	<u>\$ 19,605</u>

<u>Drug Task Force</u>	<u>E-911</u>	<u>Joint Disaster Services</u>	<u>Special Appraiser</u>	<u>Property Tax Agency</u>	<u>Townships</u>
\$ 651	\$ 74,150	\$ 62,441	\$ 32,788	\$ 25,902	\$ 3,056
-	-	-	-	-	-
-	-	-	-	2	94
-	-	-	-	81,000	192,000
38	-	-	-	-	-
-	22,716	-	-	-	-
-	9	-	-	-	-
<u>\$ 689</u>	<u>\$ 96,875</u>	<u>\$ 62,441</u>	<u>\$ 32,788</u>	<u>\$ 106,904</u>	<u>\$ 195,150</u>
\$ -	\$ 54,594	\$ 231	\$ -	\$ -	\$ -
689	42,281	62,210	32,788	106,904	195,150
-	-	-	-	-	-
<u>\$ 689</u>	<u>\$ 96,875</u>	<u>\$ 62,441</u>	<u>\$ 32,788</u>	<u>\$ 106,904</u>	<u>\$ 195,150</u>

CLAY COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES - Continued
AGENCY FUNDS
JUNE 30, 2012

ASSETS	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Lost Island Sanitary Sewer District</u>
CASH AND POOLED INVESTMENTS:				
County Treasurer	\$ 89,201	\$ 184,098	\$ 9,951	\$ 29
Other County officials	-	-	-	-
RECEIVABLES:				
Property tax:				
Delinquent	5,894	9,882	535	2
Succeeding year	5,860,000	12,810,000	699,000	-
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Accrued interest	-	-	-	-
 TOTAL ASSETS	 <u>\$ 5,955,095</u>	 <u>\$ 13,003,980</u>	 <u>\$ 709,486</u>	 <u>\$ 31</u>
LIABILITIES				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other governments	5,955,095	13,003,980	709,486	31
Trusts payable	-	-	-	-
 TOTAL LIABILITIES	 <u>\$ 5,955,095</u>	 <u>\$ 13,003,980</u>	 <u>\$ 709,486</u>	 <u>\$ 31</u>

<u>County Assessor</u>	<u>Agricultural Extension Education</u>	<u>Auto License and Use Tax</u>	<u>City Special Assessments</u>	<u>Total</u>
\$ 63,260	\$ 2,938	\$ 404,262	\$ 19,187	\$ 991,405
-	-	-	-	68,097
233	156	-	-	16,798
305,000	206,000	-	-	20,153,000
-	-	-	-	336
-	-	-	-	22,829
-	-	-	-	10
<u>\$ 368,493</u>	<u>\$ 209,094</u>	<u>\$ 404,262</u>	<u>\$ 19,187</u>	<u>\$ 21,252,475</u>
\$ 7,874	\$ -	\$ -	\$ -	\$ 63,844
360,619	209,094	404,262	19,187	21,131,096
-	-	-	-	57,535
<u>\$ 368,493</u>	<u>\$ 209,094</u>	<u>\$ 404,262</u>	<u>\$ 19,187</u>	<u>\$ 21,252,475</u>

CLAY COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2012

	County Offices				Employee Cafeteria Plan
	County Auditor	County Recorder	County Sheriff	County Conservation	
BALANCE - BEGINNING OF YEAR	\$ -	\$ 41,081	\$ 38,247	\$ 12,208	\$ -
ADDITIONS:					
Property and other County tax	-	-	-	-	-
911 surcharge	-	-	-	-	-
State tax credits	-	-	-	-	-
Office fees and collections	1,827	342,164	141,652	60,944	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	333,684	-	-
Miscellaneous	-	-	-	-	93,977
TOTAL ADDITIONS	1,827	342,164	475,336	60,944	93,977
DEDUCTIONS:					
Agency remittances:					
To other funds	1,827	128,843	141,902	59,685	-
To other governments	-	211,617	-	-	-
Trusts paid out	-	-	359,538	-	93,977
TOTAL DEDUCTIONS	1,827	340,460	501,440	59,685	93,977
BALANCE - END OF YEAR	\$ -	\$ 42,785	\$ 12,143	\$ 13,467	\$ -

Schedule 4

<u>Emergency Medical Services</u>	<u>Iowa Great Lakes Drug Task Force</u>	<u>E-911</u>	<u>Joint Disaster Services</u>	<u>Special Appraiser</u>	<u>Property Tax Agency</u>
<u>\$ 13,188</u>	<u>\$ 651</u>	<u>\$ 128,707</u>	<u>\$ 75,162</u>	<u>\$ 138,452</u>	<u>\$ 117,076</u>
-	-	-	-	-	108,503
-	-	136,671	-	-	-
-	-	-	-	2,067	126
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>27,205</u>	<u>38</u>	<u>-</u>	<u>124,814</u>	<u>-</u>	<u>-</u>
<u>27,205</u>	<u>38</u>	<u>136,671</u>	<u>124,814</u>	<u>2,067</u>	<u>108,629</u>
-	-	-	-	-	-
-	-	-	137,535	107,731	118,801
<u>20,788</u>	<u>-</u>	<u>168,503</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>20,788</u>	<u>-</u>	<u>168,503</u>	<u>137,535</u>	<u>107,731</u>	<u>118,801</u>
<u>\$ 19,605</u>	<u>\$ 689</u>	<u>\$ 96,875</u>	<u>\$ 62,441</u>	<u>\$ 32,788</u>	<u>\$ 106,904</u>

CLAY COUNTY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 Continued
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2012

	<u>Townships</u>	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Lost Island Sanitary Sewer District</u>
BALANCE - BEGINNING OF YEAR	<u>\$ 224,848</u>	<u>\$ 5,913,988</u>	<u>\$ 12,611,180</u>	<u>\$ 676,454</u>	<u>\$ 23</u>
ADDITIONS:					
Property and other County tax	189,899	5,762,872	12,675,942	691,356	5,401
911 surcharge	-	-	-	-	-
State tax credits	8,207	176,284	432,394	23,131	41
Office fees and collections	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	-	-	-
Miscellaneous	-	-	-	-	-
TOTAL ADDITIONS	<u>198,106</u>	<u>5,939,156</u>	<u>13,108,336</u>	<u>714,487</u>	<u>5,442</u>
DEDUCTIONS:					
Agency remittances:					
To other funds	-	-	-	-	-
To other governments	227,804	5,898,049	12,715,536	681,455	5,434
Trusts paid out	-	-	-	-	-
TOTAL DEDUCTIONS	<u>227,804</u>	<u>5,898,049</u>	<u>12,715,536</u>	<u>681,455</u>	<u>5,434</u>
BALANCE - END OF YEAR	<u><u>\$ 195,150</u></u>	<u><u>\$ 5,955,095</u></u>	<u><u>\$ 13,003,980</u></u>	<u><u>\$ 709,486</u></u>	<u><u>\$ 31</u></u>

<u>County Assessor</u>	<u>Agricultural Extension Education</u>	<u>Auto License and Use Tax</u>	<u>City Special Assessments</u>	<u>Tax Sale Redemption</u>	<u>Total</u>
<u>\$ 247,782</u>	<u>\$ 199,771</u>	<u>\$ 422,347</u>	<u>\$ 39,600</u>	<u>\$ -</u>	<u>\$ 20,900,765</u>
303,477	203,487	-	-	-	19,940,937
-	-	-	-	-	136,671
6,400	6,823	-	-	-	655,473
974	-	-	-	-	547,561
-	-	5,047,535	-	-	5,047,535
-	-	-	236,153	-	236,153
-	-	-	-	162,648	496,332
<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>249,034</u>
<u>313,851</u>	<u>210,310</u>	<u>5,047,535</u>	<u>236,153</u>	<u>162,648</u>	<u>27,309,696</u>
-	-	-	-	-	332,257
193,140	200,987	5,065,620	256,566	-	25,820,275
-	-	-	-	162,648	805,454
<u>193,140</u>	<u>200,987</u>	<u>5,065,620</u>	<u>256,566</u>	<u>162,648</u>	<u>26,957,986</u>
<u>\$ 368,493</u>	<u>\$ 209,094</u>	<u>\$ 404,262</u>	<u>\$ 19,187</u>	<u>\$ -</u>	<u>\$ 21,252,475</u>

CLAY COUNTY
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS
YEAR ENDED JUNE 30, 2012

	Modified Accrual Basis				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
REVENUES:					
Property and other County tax	\$ 6,660,884	\$ 6,373,835	\$ 6,042,792	\$ 5,668,597	\$ 5,405,607
Local option sales tax	841,802	857,945	675,442	765,114	856,468
Interest and penalty on property tax	43,876	37,238	37,021	37,362	31,812
Intergovernmental	5,174,204	5,048,931	5,063,230	4,959,606	4,015,496
Licenses and permits	28,088	25,404	34,107	23,061	30,657
Charges for service	556,546	545,594	476,463	475,048	487,961
Use of money and property	278,977	285,788	266,939	393,957	412,077
Fines, forfeitures and defaults	73,249	46,268	29,483	28,124	32,173
Miscellaneous	752,156	574,453	638,676	620,503	587,030
TOTAL REVENUES	<u><u>\$14,409,782</u></u>	<u><u>\$13,795,456</u></u>	<u><u>\$13,264,153</u></u>	<u><u>\$12,971,372</u></u>	<u><u>\$11,859,281</u></u>
EXPENDITURES:					
Operating:					
Public safety and legal services	\$ 2,202,745	\$ 2,365,668	\$ 2,051,702	\$ 2,142,067	\$ 1,945,200
Physical health and social services	502,403	562,897	435,109	462,235	393,998
Mental health	2,088,406	1,648,865	1,463,204	1,617,586	1,595,028
County environment and education	1,295,286	1,490,692	1,240,370	1,297,745	1,205,794
Roads and transportation	4,400,579	4,008,338	4,311,846	4,007,797	3,526,115
Governmental services to residents	385,111	411,892	404,603	405,603	392,904
Administration	1,665,165	1,572,885	1,436,285	1,383,677	1,331,612
Non-program	-	-	-	-	-
Debt service	365,422	853,286	347,599	401,174	444,241
Capital projects	2,833,806	607,939	1,751,650	1,143,530	288,824
TOTAL EXPENDITURES	<u><u>\$ 15,738,923</u></u>	<u><u>\$ 13,522,462</u></u>	<u><u>\$ 13,442,368</u></u>	<u><u>\$ 12,861,414</u></u>	<u><u>\$ 11,123,716</u></u>

Schedule 5

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 5,470,168	\$ 5,080,510	\$ 4,614,093	\$ 4,673,753	\$ 4,052,373
823,558	676,906	673,887	617,508	599,174
24,806	30,478	27,013	28,494	47,451
4,075,174	5,298,196	4,587,863	4,741,475	4,366,951
14,679	10,360	6,543	5,388	5,107
442,998	463,996	396,778	378,746	404,678
541,725	409,420	205,847	127,596	153,331
22,644	23,763	21,174	15,505	9,773
543,863	727,680	670,983	151,817	201,445
<u>\$ 11,959,615</u>	<u>\$12,721,309</u>	<u>\$11,204,181</u>	<u>\$10,740,282</u>	<u>\$ 9,840,283</u>
\$ 2,038,863	\$ 2,063,894	\$ 1,811,888	\$ 1,706,287	\$ 1,859,980
384,688	324,657	382,948	344,561	349,172
1,423,246	1,319,489	1,400,963	1,421,131	1,287,707
1,013,236	815,711	798,693	781,853	681,777
3,304,187	3,571,958	2,754,290	2,685,991	2,886,546
348,120	370,662	352,133	336,247	313,372
1,212,763	1,206,203	1,122,851	1,162,373	1,038,899
-	473,808	448,366	33,113	25,213
498,050	372,624	260,543	600,663	187,108
1,228,957	3,331,553	1,668,546	723,718	447,746
<u>\$ 11,452,110</u>	<u>\$13,850,559</u>	<u>\$11,001,221</u>	<u>\$ 9,795,937</u>	<u>\$ 9,077,520</u>

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Spencer, Iowa 51301-0175
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FAX 712-262-3159

1004 21st Street #4
P.O. Box 187
Milford, Iowa 51351-0187
Phone 712-338-2488
FAX 712-338-2510

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Clay County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clay County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated December 31, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Clay County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Clay County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clay County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as Item I-A-12 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-12 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clay County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit the County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Clay County and other parties to whom Clay County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clay County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Winther, Starn & Co., LLP

December 31, 2012

CLAY COUNTY
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements

Internal Control Deficiencies:

- I-A-12 Segregation of Duties - During our evaluation of the system of internal accounting control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the County Auditor and County Treasurer should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances.

Response - While the size of our staff has a limiting effect on our ability to have complete segregation of duties, we will strive to segregate where possible and insure review of those areas where complete segregation is impossible.

Conclusion - Response accepted.

- I-B-12 Capital Assets - During our audit, we identified several significant capital asset acquisitions which were not included in the County's listing of capital asset additions for the year. As a result, adjustments were subsequently required to properly include these amounts in the government-wide financial statements.

Recommendation - The County should enhance procedures to ensure capital asset additions from all departments are identified and included in the County's financial statements.

Response - We will work to develop procedures to ensure all capital assets additions are included in the financial statements.

Conclusion - Response accepted.

Instances of Noncompliance:

No matters were reported.

CLAY COUNTY
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting

- II-A-12 Certified Budget - Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the non-program function.

Recommendation - The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will amend the budget when required in the future.

Conclusion - Response accepted.

- II-B-12 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979. However, we did note the County has committed \$150,000 for economic development at June 30, 2012.

According to the opinion, it is possible for economic development expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation - The Board of Supervisors should determine and document the public purpose served by expenditures of the designated funds before authorizing payments. The County should consider establishing written policies and procedures, including requirements for proper documentation.

Response - We will document the public purpose served by use of the designated funds and will consider the documentation that will be required.

Conclusion - Response accepted.

- II-C-12 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

CLAY COUNTY
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting - Continued

- II-D-12 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Del's Garden Center, owned by Delmar Brockshus, County Supervisor	Services and products	\$ 174
Coffman's Locksmith, owned by spouse of employee Audrey Coffman	Services and products	\$2,104
Krukow Construction, owned by son of Sheriff Randy Krukow	Services and products	\$ 807

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Del's Garden Center and Krukow Construction do not appear to represent a conflict of interest since total transactions with the businesses were less than \$1,500 during the fiscal year or were entered into through competitive bidding.

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Coffman's Locksmith may represent a conflict of interest since total transactions were more than \$1,500 during the fiscal year and were not entered into through competitive bidding.

Recommendation - We recommend the Board consider whether or not certain services and products should be entered into through competitive bidding.

Response - We will consider whether competitive bidding is required in these situations.

Conclusion - Response accepted.

- II-E-12 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.

- II-F-12 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

- II-G-12 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy.

CLAY COUNTY
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting - Continued

II-H-12 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

II-I-12 County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in the government-wide financial statements.

Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.